

# Value-Added Agricultural Products and Processes Financial Assistance Program

Semi-annual Report  
on progress in VAAPFAP

FY2008  
July 1, 2007 – December 31, 2007

Iowa Department of  
Economic Development

**REPORT TO THE IOWA LEGISLATURE**

*REPORT TO THE IOWA LEGISLATURE, AS REQUIRED BY IOWA CODE SECTION 15E.111(8)*

**VALUE ADDED AGRICULTURAL PRODUCTS AND PROCESSES FINANCIAL**

## ASSISTANCE PROGRAM (VAAPFAP)

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***PURPOSE: The purpose of the Value-Added Agricultural Products and Processes Financial Assistance Program is to encourage the increased utilization of agricultural commodities produced in the State of Iowa. The program does this by providing financial assistance to new and innovative value-added agricultural businesses and to renewable fuel facilities, biomass and alternative energy as well as organic and emerging markets.***

### **BACKGROUND**

The VAAPFAP program committed funds for its first project in November of 1994, and since then has committed over \$56.6 million to 396 value-added agricultural businesses in the state of Iowa. There were three original components to the program, Innovative Agricultural Products & Processes, Renewable Fuel and Project Creation Assistance. Attachment A is a listing of the funding activities for the first half of Fiscal Year 2008.

In 2004 the program was amended to implement new legislation and several new program component areas were added. Those new components include agricultural biotechnology, biomass and alternative energy as well as organic and emerging markets. Starting in Fiscal Year 2006, the VAAPFAP program was to use Iowa Values Fund money for awards to eligible projects. This prompted some changes in the program. The Agricultural Products Advisory Council (APAC) still reviews VAAPFAP applications and makes recommendations; however, these recommendations now go to the Iowa Department of Economic Development Board for Values Fund consideration. Since the awards are from the Iowa Values Fund (IVF), potential VAAPFAP award recipients now must meet wage guidelines provided for in the IVF legislation which is at least one-half the jobs created or retained must have wages that meet 130% of the county average wage including benefits. Projects approved during the first half of FY08 created 84 jobs that had an average wage of \$20.55/hr.

### **FY08**

During the first half of FY08, three companies were awarded funds totaling \$650,000 from the Valued-Added Agricultural Products and Processes Financial Assistance Program. These projects represent value-added activity in the areas of Renewable Fuels, Innovative Agricultural Processes and Organic, Emerging Markets. These three businesses have pledged to invest over \$35.5 million in capital investment. (A list of these projects is provided on Attachment "A".)

Following is a brief description of the projects and their component areas:

- **Renewable Fuels** -The Renewable Fuel component of VAAPFAP provided funding to an innovative, start-up ethanol plant for its unique project which will divert the waste stream from a wheat processing facility and make it into ethanol.
- **Innovative Agricultural Processing** - Another ethanol facility will build an addition to the plant so that they can extract corn oil from the plant's distillers dried grains with solubles. The corn oil will be sold as a feedstock for the biodiesel industry and the resulting livestock feed will have higher protein content.
- **Organic, Emerging Markets** – An Iowa company created a Supply Chain Compliance (SCC) program with a range of services to food and agricultural companies. It includes collaboration of organic and natural foods industry committed to ensuring that products have been verified as meeting non-GMO standards established by the program.

The Iowa Department of Economic Development (IDED) also funded additional agriculture value-added projects through other financial assistance programs or tax credit programs during FY08 including five ethanol plants that pledged to invest over \$797 million in capital investment. Awards were also made to eight other companies that will utilize Iowa's agricultural resources to provide new products in the food and livestock industries.

## PROJECT UPDATES

There have been many successful projects that are growing and having an impact in Iowa. Following is an update on several of these projects:

- **Genetic ID** – This company was founded 11 years ago and has set the industry standard for highest precision and accuracy of Genetically Modified Organisms (GMO) analyses of food and agricultural products. It is successfully establishing and launching a food safety certification program and GMO testing.
- **Eden Farms, LLP** – Twenty-five family farm producers, who are Pork Quality Assurance certified by the National Pork Board, adhere to strict guidelines to raise and market their natural Berkshire pork through Eden Farms. The State Center company has exceeded their marketing goals and is expanding their operations.
- **J. Rettenmaier** – This Life Sciences company, located in Cedar Rapids, manufactures cellulose fibers for the food, animal nutrition, pharmaceutical and industrial industries. They are leaders through quality research, development, production and supply of their fibers.
- **Central Iowa Energy** – The Central Iowa Energy plant is a BQ-9000 Accredited

biodiesel facility. It produces 30 million gallons of biodiesel per year near Newton for its 500 investors. Its primary feedstock is soybean oil although it is capable of utilizing other vegetable oils and animal fats.

## **FUTURE**

With IDED taking a more prominent role in developing projects, the possibilities for new ag businesses developing in the state is positive. Renewable Fuels and Renewable Energy have rapidly become important industries in Iowa, and particularly in rural Iowa. We will continue to encourage the present agricultural industries in the state as well as producers to process even more agricultural commodities here in Iowa, rather than elsewhere.

## **CONCLUSION**

The Department of Economic Development would like to acknowledge the Agricultural Products Advisory Council (APAC) for their time and insight in reviewing applications monthly and making recommendations on funding of projects. The list of APAC Members is included as Attachment B. The Department of Agriculture and Land Stewardship participates in the APAC meetings and has provided information to many of the applicants as their projects develop. We would also like to recognize the commodity organizations for their assistance in providing information on projects in their areas of expertise and their work in value-added agriculture.

### Attachment A

Company	Fiscal Year	Award Date	Application Number	Jobs	Avg. Wage	Other Jobs	Total Jobs	Capital Investment	Award Amount	Location
<b>FoodChain Global Advisors, Inc.</b> (organic food standards)	2008	07/19/2007	07-VAP-021	50	\$23.98	7	57	\$134,700	\$250,000	Fairfield (Jefferson)
<b>VeraSun Fort Dodge, LLC</b> (corn oil extraction)	2008	10/18/2007	08-VAP-001	14	\$16.60	0	14	\$27,260,000	\$200,000	Fort Dodge (Webster)
<b>Keokuk Ethanol Company</b> (Ethanol from wheat processing waste stream)	2008	12/20/2007	08-VAP-003	20	\$21.06	0	20	\$8,132,000	\$200,000	Keokuk (Lee)
				84	\$20.55	7	91	\$35,526,700	\$650,000	

## Attachment B

### Agricultural Products Advisory Council Members (APAC) 2008

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